



DOCKET FILE COPY ORIGINAL

UNITED HOMEOWNERS ASSOCIATION®

December 31, 1996

RECEIVED

DEC 31 1996

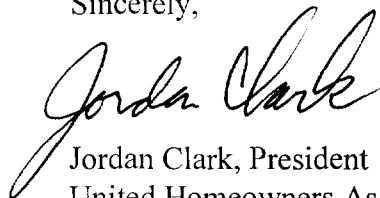
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

Dear Mr. Caton:

Enclosed herewith are thirteen (13) copies of a petition for rulemaking to reclassify AT&T as having dominant carrier status.

Sincerely,


Jordan Clark, President
United Homeowners Association



Anne Werner, President
United Seniors Health Cooperative

No. of Copies rec'd 0712
List ABCDE

CCB

1511 K Street, NW Suite 326 Washington, DC 20005

Phone: 202.408.8842 Fax: 202.408.8156

<http://uha.org/AmericaOnlinekw:UHA>

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

RECEIVED

DEC 31 1996

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

In the Matter of

Petition for)
Rulemaking to reclassify)
AT&T as having dominant)
carrier status)

To: The Commission

United Homeowners Association
United Seniors Health Cooperative

December 31, 1996

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

RECEIVED

DEC 31 1996

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

In the Matter of

Petition for)
Rulemaking to reclassify)
AT&T as having dominant)
carrier status)

To: The Commission

The undersigned public interest groups propose that the Federal Communications Commission ("FCC", "The Commission") reexamine its position with respect to the decision to declassify AT&T Corp. ("AT&T") as a dominant carrier of long distance telephone service. We believe for the reasons outlined below, that the FCC erred in its decision on October 23, 1995, when it released an order granting AT&T's motion to be reclassified as a non-dominant carrier. Indeed, we urge the Commission to undertake an expeditious review and approval of our request that AT&T's dominant carrier status be reinstated.

STATEMENT OF INTERESTS

United Homeowners Association (UHA) is a nationwide, non-profit, membership-based organization that represents the interest of homeowners nationwide.

United States Health Cooperative is a consumer based organization providing information and services to older Americans and advocating for improved government services benefiting the homebound elderly.

SUMMARY

The FCC should reexamine and subsequently reinstate AT&T's dominant carrier status because: (1) Consumers are adversely affected by the FCC's decision to declassify AT&T as a dominant carrier; and (2) It is in the public interest to reinstate AT&T's dominant carrier status. (3) AT&T remains a dominant carrier as evidenced by its 54.2 % share of the long-distance market;

ARGUMENT

The signing and implementation of the Telecommunications Act of 1996 ("The Act", "The Telecom Act") are meant to bring sweeping changes and reform of the telecommunications industry. As a result of the Act, the consumer should benefit from the thrust of new competition in all areas of communications. However, until that competition becomes a reality, consumers must be protected through FCC oversight of the dominant carrier of long-distance service.

I. Consumers are adversely affected by the FCC's decision to declassify AT&T as a dominant carrier.

Given AT&T's distinct advantage in the long-distance market, it is crucial that the FCC reinstate AT&T's dominant carrier status until there is compelling and sufficient evidence to illustrate that there are new competitors in the marketplace and that AT&T's

pricing whims will not control the long-distance market of the majority of citizens in the United States.

For example, AT&T took a radical step the day before thanksgiving by announcing that effective in four days, it was raising its basic rates by 5.9%.¹ The increase in rates added seven dollars to the yearly bill of the average consumer.² The recent seven (7) year annual increase is only an example of what will happen and illustrates how easily they can take \$1.7 billion out of the pockets of consumers. When AT&T decided to raise its rates, it was not required to obtain approval by the FCC since it is no longer classified as a dominant carrier. Moreover, this increase was announced during a time when consumers were unlikely to learn of the change before it was to take effect. It is our opinion that this decision by AT&T was very disingenuous and will have a negative impact on its 85 million residential customers.

Additionally, the Big Three long distance companies continue to favor two-tier pricing schemes which tend to benefit an elite group of high volume customers. We believe that it is no surprise that AT&T's recent price increase affects all of its customers except those customers that sign up for their flat rate plan. Such increases have the greatest impact on low-volume customers, which include low-income households and the two-thirds of consumers who are not on a discounted long-distance plan. The greater profit margins from basic rates are used to offset the cost of offering incentives to attract high volume users.

¹ *AT&T Gives Gift For The Holiday Of 5.9% Rate Hike*, Chicago Tribune, November 28, 1996, at pg. 3.

² *Id.*

II. It is in the public interest to reinstate AT&T's dominant carrier status.

It is clear to us that it is in the public interest to reinstate AT&T's dominant carrier status. We believe that without regulatory supervision, AT&T consumers will have no protection from unjust rate increases.

AT&T's decision to raise its basic rates by 5.9% as of December 1, 1996 was a move that was taken in close proximity to MCI and Sprints rate increases.³ MCI increased its rates by 4.9% and Sprint implemented an increase of 2% in November, 1996.⁴ In fact, there is clear and convincing evidence in a WEFA Group study and FCC Tariff Filings which illustrates that the three largest providers of long-distance telecommunications service have continued to raise their prices in unison since January, 1989.⁵ The study illustrates the drastic impact these companies have had on consumers by raising their basic retail prices six times during the past five years.⁶

III. AT&T remains a dominant carrier as evidenced by their 54.2% share of the long-distance market.

When the Commission granted AT&T's motion to be reclassified as a non-dominant carrier, it decided that the appropriate standard to evaluate AT&T's reclassification request was whether AT&T possessed market power in the overall relevant market, even if AT&T had the ability to control the prices of one or more

³ *AT&T Rate Increase to Affect Most Residential Customers*, Washington Post, November 29, 1996 at E2.

⁴ *Id.*

⁵ The WEFA Group, *Economic Impact of Deregulating U.S. Communications Industries* (February 1995).

⁶ *Id.*

markets.⁷ Applying this standard to the record, the Commission concluded that AT&T lacked market power in the interstate, domestic and interexchange markets.⁸

We disagree with the FCC's finding that AT&T lacks market power in domestic or interstate markets. AT&T presently provides long distance service to over 54.2% of the population and its closest competitor MCI, has only 20% of the long-distance market.

CONCLUSION

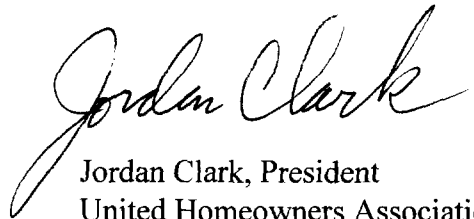
We believe that the FCC's decision to reclassify AT&T as a non dominant carrier eighteen months ago should be revisited and reversed. It is our belief that AT&T, with 54.2% of the residential long-distance market, needs to have its rate increases monitored until there is meaningful competition in the long-distance market. We view the reclassification of its dominant carrier status as a necessary and proper means to accomplish this goal. The regulation of AT&T as a dominant carrier will provide much needed protection for consumers by blocking unjust rate increases. It will also provide sufficient time for consumers to switch to other lower cost carriers when rate increases are approved. Once competitors enter the market as provided for in the telecom act, the

⁷ Report and Order, FCC, CC Docket No. 96-454, at 3.

⁸ Id.

FCC should then determine if there is meaningful competition and reevaluate the need to classify AT&T as a dominant carrier.

Respectfully submitted,

A handwritten signature in black ink that reads "Jordan Clark". The signature is fluid and cursive, with the first name "Jordan" and last name "Clark" clearly legible.

Jordan Clark, President
United Homeowners Association
1511 K Street, NW, 3rd Floor
Washington, DC 20005

A handwritten signature in black ink that reads "Anne Werner". The signature is fluid and cursive, with the first name "Anne" and last name "Werner" clearly legible.

Anne Werner, President
United Seniors Health Cooperative
1331 H Street, NW, Suite 500
Washington, DC 20005